Hills considers establishing a Tax Increment Finance Authority

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Unveiling the estimated costs of improvements along 12 Mile in conjunction with other improvements on I-696, Costick said that the financial aspects of the plan are still preliminary, because Michigan Department of Transportation (MDOT) officials have yet to provide cost estimates for additional interchanges off I-696 into Farmington Hills. MDOT's plans and cost estimates are expected to be presented today.

For the 12 Mile corridor development area, the construction of a four-lane boulevard is estimated to cost $16.4 million. That includes storm drain improvements and right-of-way costs.

But keeping fingers crossed that the city will receive approximately $7.1 million in grants, the city's total estimated cost for the 12 Mile boulevard stands at $9.2 million.

Other projects listed in the 12 Mile study, such as widening 12 Mile to five lanes from Orchard Lake to Middlebelt, are not included in the TIFA plan because they are outside the proposed 3¼-mile development district.

IN ADDITION to the 12 Mile project, I-696 improvements — additional interchanges and widening — stands at an estimated $27.5 million. Again, hoping to receive state and federal grants to help pay the bills, the city's total estimated cost for I-696 improvements would come to $343,000.

In this project, though, the city could put about $49,000 in state gas and weight tax revenue toward its share, reducing it to approximately $294,000.

Although all costs are still estimates, the city would be faced with an approximately $9.5 million bill for the 12 Mile and I-696 improvements.

"After analysis of various funding methods and sources, the city and the tax increment financing authority have determined that the only major viable source of funding for these improvements is tax increment financing," according to the TIFA plan.

Under TIFA, current property values in the 3½-mile district along 12 Mile would be frozen. Tax increment revenue is derived from the increase in assessed valuations in the district during a designated period of years over the initial value at the time the TIFA plan is implemented.

IT IS the revenue derived from the increase in assessed valuation that the city would use to pay for the improvements. A city has the option of taking all or part of any property tax revenue based on the assessment increase. But Farmington Hills' plan calls for capturing only 47.8 percent of the revenue based on increased valuations, Costick said.

In more practical terms, the most recently assessed value of property in the development district totals approximately $52.7 million. This total would become the "initial assessed value" of the development area.

The taxing jurisdictions — city of Farmington Hills, Farmington Public Schools, Oakland Community College, Oakland Intermediate Schools and Oakland County — would continue to receive full revenue based on mills levied against the initial assessed value.

But as the development district's value increases during the TIFA plan's 12-year period, the taxing jurisdictions would annually receive only 52 percent of that increase. The split was not 50/50 because the city didn't want to infringe on each jurisdiction's debt retirement levies.

Tax increment revenues that would be turned over to the authority are determined by multiplying the total tax millage of the taxing units — 51.8 mills based on the 1985 rate — by the amount of captured assessed value.

According to the tax increment revenue projection chart in the city's TIFA plan, captured revenue would amount to $11.3 million in 1986; $34.4 million in 1987; $55.7 million in 1988; $68.1 million in 1989 and $82.3 million in 1990. The chart shows that from 1991 through 1997, the final year of the plan, the captured revenue would stand at $93.3 million.

IF THE city council follows through with the TIFA plan, tax increment revenue could be handed over to the authority to be used as it accrues annually to pay on an "as-you-go" basis for projects, or could be pledged for debt service on tax increment bonds issued by the authority. Bonds can be issued by the authority not to exceed $8.5 million.

The authority intends to finance the city's share of the costs for additional interchanges near Drake and Haggerty on a pay-as-you-go basis. The cost of acquiring rights-of-way for the proposed four-lane boulevard along 12 Mile would also be paid for as funds are available. The rest of the improvement project would be financed with tax increment bonds, according to the TIFA plan.

"The objective of the authority is to keep interest costs low and the duration of the tax increment plan short by limiting the size and maturity of tax increment bonds," according to the plan.

Although the state's TIFA act allows for administrative and operating costs to be built into the authority's finances, "we are not proposing any of that kind of stuff," Costick said. Additional staff won't be hired to implement and maintain the TIFA plan, but consulting engineers will be required.

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